

# **CREATING OPPORTUNITY AND ENCOURAGING RESPONSIBILITY**



# CREATING OPPORTUNITY AND ENCOURAGING RESPONSIBILITY

Opportunity and responsibility—they are the twin pillars of American citizenship. They define who we are as a people and a society.

The opportunity for Americans to live safe, secure, healthy, and prosperous lives comes through their families, neighborhoods and communities, schools, churches and synagogues, civic associations and clubs, and, when necessary, the Federal, State, and local governments.

Americans expect one another to fulfill the responsibilities of citizenship—to obey the law, raise their children, support their families, and participate as full-fledged members of society.

The President proposes to deploy the Federal Government appropriately to create opportunity for all Americans while encouraging responsibility. To meet these goals, the budget would restore communities, strengthen the health care system, make work pay, invest in education and training, protect the environment, promote science and technology, enforce the law, and cut taxes for middle-income Americans and small businesses while making the tax system fairer.

- **Restoring the American Community:**

The budget proposes to expand the President's national service program, which encourages Americans of all ages to help solve the problems of communities and earn money to help pay for postsecondary education. It also proposes to designate more Empowerment Zones and Enterprise Communities to spur community revitalization; expand the Community Development Financial Institutions Fund to provide investment in distressed areas; and maintain the Government-to-government commitment to Native Americans.

- **Strengthening Health Care:** The budget proposes to improve Medicare and Medicaid in ways that reflect the President's commitment to expand access to coverage

while making the system more efficient. These changes would give Medicare's 37 million beneficiaries more plans to choose from, higher quality care, and a more cost-effective program. And they would maintain and strengthen Medicaid's guarantee of coverage for 36 million vulnerable Americans.

- **Making Work Pay:** Building on the Administration's efforts to date, the budget would repeal the current welfare system, replacing it with one that requires work and provides child care so people can leave welfare for work. Although its efforts are having an impact in making work pay and moving people from welfare to work, the Administration is committed to the necessary next step: to work with Congress on bipartisan welfare legislation that reflects the basic values all Americans share—work, responsibility, and family.

- **Investing in Education and Training:** Today's most successful workers are those with the best-quality education who continue learning throughout their careers to compete successfully. The Federal Government plays a crucial, if limited, role in providing the necessary education and training. The budget continues to invest in education and training, and also builds on previous legislative and management reforms in key Federal programs.

- **Protecting the Environment:** The President wants a Government that helps protect the environment and our natural resources without burdening business, choking innovation, or wasting taxpayer dollars. To meet these objectives, the Administration continues to reinvent the regulatory process to cut excessive regulation and invest in programs that will have the biggest impact in improving the environment, protecting public health, and enhancing natural resources.

- **Promoting Science and Technology:**

Because Federal investments in science and technology (S&T) have paid rich dividends in economic growth, national security, and environmental protection, the President is committed to sustaining U.S. leadership in S&T. The budget maintains key investments by adding funds for health research at the National Institutes of Health, for basic research and education at the National Science Foundation, for research at agencies that depend on S&T for their missions, and for cooperative projects with industry and universities.

- **Enforcing the Law:** The budget continues Administration efforts to make the streets safer for all Americans and to secure the Nation's borders. Among its important features, it empowers States and communities to fight crime locally by hir-

ing more police while it funds innovative prevention programs; commits resources to ensure that violent criminals and serious drug traffickers remain behind bars; and targets resources on combating illegal immigration through deterrence, enforcement, and swift deportation.

- **Promoting Tax Fairness:** The budget proposes tax reforms that would promote tax fairness and encourage activities that foster economic growth. The President's tax plan calls for tax cuts that would benefit middle-class families with children, make higher education more accessible, and spur long-term saving. The plan helps small business with more favorable treatment of investment, estate tax relief, pension simplification, and health insurance for the self-employed. And it contains targeted tax relief to promote urban renewal.

## 5. RESTORING THE AMERICAN COMMUNITY

*We cannot go on as a Nation of strangers, mistrusting one another because we've never had the chance to work side by side or had the chance to walk in one another's shoes. If we just stand only on our own ground, we will never find common ground . . . . We are all part of the American family, joined by a national purpose, bound by a common sense of responsibility, challenged by common possibilities that know no limits.*

President Clinton  
September 1994

Communities are the heart of the American experience, the boundaries of much of our lives. They are where we live, where we work, where we worship, where we shop, and where we raise our children and send them to school.

Despite their commonality as the center of American life, communities vary greatly in their financial and social health, with some prospering while others continue to decay. More and more, communities face the problems of crime, violence, drugs, homelessness, unemployment, and poverty. In both urban and rural areas across the country, communities need help in attracting the kind and amount of private investment that could spur their revitalization.

With its wide-ranging proposals that address community needs, the budget is designed to use Federal dollars wisely—not to impose answers from above, but to encourage solutions at the community level. These proposals would create incentives for Americans of all ages to participate directly in addressing local problems, and for financial institutions to invest, create jobs, lend to would-be homeowners and entrepreneurs, and rehabilitate rental housing. And they would maintain the Federal Government's special relationship with Native Americans, providing funds to address special needs.

### **National Service**

National service is rooted in American values of performing community service, rebuilding communities, rewarding personal

responsibility, expanding educational opportunity, and fostering a sense of common good. Established two years ago, the Corporation for National and Community Service is engaging Americans of all ages and backgrounds to solve problems inside America's communities.

The Corporation's signature initiative is AmeriCorps, which includes the Volunteers in Service to America program, VISTA. AmeriCorps enables young Americans of all backgrounds to serve their local communities full- or part-time. In return, they earn a minimum living allowance and, at the end of their term, an education award to help pay for post-secondary education or repay student loans. Currently, about 25,000 Americans participate in AmeriCorps.

The budget proposes \$772 million for the Corporation, \$87 million more than in 1995, to expand programs begun in 1994 and continued in 1995 and 1996. The \$772 million would finance 30,000 participants in 1997, bringing to 100,000 the total number of Americans who have participated in AmeriCorps since the program began in 1994.

The budget also proposes \$53 million for the Learn and Serve program, providing almost 900,000 opportunities for school-age youth to serve their communities. It proposes \$145 million for the National Senior Service Corps (NSSC)—which includes the Retired Senior Volunteer Program, Foster Grandparent Program, and Senior Companion Program—to engage nearly 480,000 older Americans in service. Under the NSSC, mature,

experienced, skilled people serve the ill, the frail, the isolated elderly, and young people with emotional, mental, or physical disabilities. The budget also proposes \$6 million for The Points of Light Foundation. All told, the Corporation would provide opportunities for over a million Americans to engage in service.

AmeriCorps strengthens America's communities in several ways. National, State, and local organizations operate AmeriCorps programs, designing them individually to meet specific needs. AmeriCorps members do not displace existing volunteers or employees; they participate alongside the men and women already working to solve problems at the community level. They provide a regular source of service that most volunteers, given their time constraints, cannot offer.

The Corporation operates few AmeriCorps programs itself; its primary work is ensuring quality in AmeriCorps programs that are locally developed and implemented. The Corporation works with States to run competitions that determine what programs will participate in AmeriCorps. Because States best know their own needs, they enjoy considerable autonomy in determining priorities, selecting programs, and offering additional assistance. AmeriCorps is not a mandate for any State or organization, although 49 States sought AmeriCorps funds last year.

In addition, AmeriCorps seeks to encourage strong partnerships with the private and non-profit sectors. AmeriCorps grantees must raise matching funds from outside the Corporation, and many AmeriCorps programs are underwritten by businesses, including American Express, Fannie Mae, General Electric, IBM, and Timberland.

Following intense competition last year, bipartisan, gubernatorially-appointed State commissions and the Corporation chose 450 organizations to participate in AmeriCorps, including the American Red Cross, the National Coalition of Homeless Veterans, the YMCA, and local United Ways across the country. Wherever they serve, AmeriCorps members are meeting vital needs and getting solid results:

- In Kansas City, they helped close 44 crack houses and drove out drug dealers from a 173-block community—and brought in over 3,000 volunteers to keep the area safe and clean;
- In Simpson County, Kentucky, they raised the reading levels of nearly half of the county's second grade students; and
- In Miami, they recruited and worked with over 5,000 volunteers to build 44 new homes for working families.

Many AmeriCorps members act as "volunteer generators" who recruit and supervise other citizens in direct service. The Corporation's motto—"getting things done"—expresses AmeriCorps' commitment to achieving direct and demonstrable results.

With a strong commitment to community-based direction, the Corporation maintains a small Washington staff. The law limits administrative costs included in grants to AmeriCorps programs to five percent of grant amounts.

### **Empowerment Zones and Enterprise Communities**

As part of his 1993 economic program, the President proposed, and Congress enacted, the Empowerment Zones and Enterprise Communities program. Under it, communities develop a strategic plan to help spur economic development and expand opportunities for their residents, in exchange for Federal tax benefits, social service grants, and better program coordination.

Empowerment Zones (EZs) and Enterprise Communities (ECs) are parts of urban or rural areas with high unemployment and high poverty rates. For EZs, the Federal Government provides tax benefits for businesses that set up shop, and grants to community groups for job training, day care, and other purposes. For ECs, the Government provides grants to community groups for the same array of purposes. EZs and ECs both can apply for waivers from Federal regulations, enabling them to better address their local needs.

The 1994 competition for the first round of EZ and EC designations generated over

500 applications as well as new partnerships for community revitalization. The 105 selected communities made well over \$8 billion in private-public commitments, apart from the promised Federal resources. Even in communities that applied but were not designated as EZs or ECs, local efforts to marshal resources and forge broad coalitions to support an innovative economic empowerment strategy produced tangible benefits.

But many other communities lack the seed capital to implement their strategies and sustain private commitments. Thus, the President now proposes a second round of EZs/ECs to stimulate further private investment and economic opportunity in distressed urban and rural communities and to connect residents to available local jobs. The program would again challenge communities to develop their own comprehensive, strategic plans for revitalization, with input from residents and a wide array of community partners. The Administration would invest in communities that develop the most innovative plans and secure significant local commitments.

The second round would build on the President's "brownfields" tax incentive (described in Chapter 9), which would encourage businesses to clean up abandoned, contaminated industrial properties in distressed communities. Also, this round would offer a competitive application process that would stimulate the public-private partnerships needed for large-scale job creation, business opportunities, and job connections for families in distressed communities. The Administration would seek up to 105 new designations, with communities receiving a combination of tax incentives, direct grants, and priority consideration for waivers of Federal program requirements from the President's Community Empowerment Board, chaired by Vice President Gore.

The proposed budget for the second round includes \$2 billion for tax incentives, including incentives for brownfields clean-up and small business investment, and \$1 billion for direct grants and loans over three years. Each EZ or EC would have to identify performance benchmarks to show what it plans to accomplish in each year of the 10-year designation.

### **Community Development Financial Institutions (CDFIs)**

Proposed by the President in 1993 and created a year later, the CDFI Fund is designed to expand the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities. By stimulating the creation and expansion of a diverse set of CDFIs, the Fund will help develop new private markets, create healthy local economies, promote entrepreneurship, restore neighborhoods, generate tax revenues, and empower residents.

CDFIs provide a wide range of financial products and services—e.g., mortgage financing to first-time home buyers, commercial loans and investments to start or expand small businesses, loans to rehabilitate rental housing, and basic financial services. CDFIs also cover a broad range of institutions—e.g., community development banks, community development credit unions, community development loan funds, community development venture capital funds, and microenterprise loan funds. These institutions, not the CDFI Fund, decide which individual projects to finance.

The budget proposes \$125 million for the CDFI Fund, with gradual increases each year to bring the six-year total to \$1.6 billion. Private sector interest in the program has already dramatically exceeded expectations. To date, the CDFI Fund has received requests for assistance from new and existing CDFIs of over \$300 million, about 10 times the amount available for the first round.

These applications, however, barely scratch the surface of long-run potential. The Fund also plans to implement an aggressive, long-term program of training, technical assistance, and capacity building, which would help the CDFI field grow substantially over time while maintaining high-quality standards and market discipline. In addition, the Fund will inaugurate an annual Presidential Microenterprise Awards program and coordinate a new Federal Microenterprise Initiative.

Additional resources would enable the Fund to implement a new initiative to support private institutions that provide secondary

markets for CDFIs, leveraging public resources with private capital. The added money also would substantially enhance the CDFIs' capacity to take advantage of coordinated, multi-faceted community development efforts, such as EZs and ECs. Finally, this initiative would increase the resources to provide incentives, through the Bank Enterprise Award program, for traditional banks to expand their community development lending and support local CDFIs.

### **Federal Relationship With Communities**

The EZ/EC initiative and CDFI program are just two examples of the Administration's efforts to help communities develop their own strategies to face their toughest economic and social challenges.

To implement this new relationship with communities, the budget builds on the President's reinvention proposal of last year by restructuring the major programs of the Department of Housing and Urban Development (HUD). The Administration would consolidate HUD programs into three flexible, performance-based funds. It would award most of the funding by formula, as in a block grant, but focus it on clearly-stated national goals. And it would judge communities' use of funds against measures that are consistent with national goals but tailored to each community's situation.

Like the EZ/EC initiative, this structure provides flexibility but demands accountability. To further reward results, communities would be eligible for bonus funding. Funds would go to communities that set and achieve ambitious performance goals, consistent with national program objectives and local needs.

HUD Secretary Henry Cisneros proposes to transform HUD by creating single points of contact for all major localities and giving HUD staff the expertise to help communities reach their goals. In this transformation, HUD would move much of its staff out of Washington and into the communities to operate as problem-solvers, working with, and for, the States and communities. Mayors and other local leaders would no longer have to work with three or four HUD offices to get answers on community priorities. Instead, community contacts would troubleshoot,

respond to community complaints, and help communities identify and overcome Federal impediments to achieving local priorities.

The budget also builds on the President's reinvention proposal of last year by supporting efforts to demolish 54,000 of the worst public housing units in the next three years and, in their place, provide portable rental subsidy certificates that give residents greater mobility. In limited cases where appropriate, communities would construct new, less dense units.

Through the Campus of Learners program, HUD also is working to transform selected public housing developments into avenues of educational achievement and job advancement. On these campuses, public housing agencies link up with local schools, universities, and training centers—many of them located near the housing developments. The program would require residents to participate in education and job training programs, and would limit the period of residency. Upon completing campus programs, residents would receive help in moving into private housing and securing employment.

### **Government-to-Government Commitment to Native Americans**

The President continues to listen to the views and concerns of Native Americans, and proposes to address basic needs and restore high-priority Native American programs to pre-1996 levels.

The Administration has fought to restore critical 1996 funding to enable the Federal Government to fulfill its trust responsibility to Tribes. The budget proposes a 10 percent increase for Government-wide programs, compared to 1996.

Budgets for the Interior Department's Bureau of Indian Affairs (BIA) and the Health and Human Services Department's Indian Health Service (IHS) comprise about two-thirds of Federal funding for Native American programs.

- **BIA:** The budget proposes \$1.8 billion, an increase of \$136 million over 1996. The BIA budget focuses on supporting the growing school population on or near Indian reservations, increasing Tribal self-



determination, and protecting Indian trust resources.

- **IHS:** The budget proposes \$2.4 billion, an increase of \$186 million over 1996. The IHS budget emphasizes support for clinical services, often the only source of medical care on isolated reservations. It also supports water and sewer line construction—such basic utilities are still lacking on too many reservations.

The BIA and IHS will continue to promote self-determination by allowing Tribes to direct and administer more resources for Tribal priorities at the reservation level. In addition, both agencies have worked extensively with Tribes to develop regulations to implement recent amendments to the Self-Determination Act.

The Interior Department continues to encourage an increase in the number of Self-

Governance Tribes. Self-Governance compacts, which give Tribes greater flexibility to administer Federal programs on reservations, now number 54 and will rise to a projected 74 in 1997.

Finally, the budget proposes \$36 million for a new Office of the Special Trustee for American Indians to oversee trust fund management reform, and Interior Secretary Bruce Babbitt has directed all Interior Department offices and bureaus to redouble their efforts to protect trust resources.

Beyond funding issues, the Administration continues to emphasize the spirit of consultation and recognition of the unique status of Native Americans. In the past year, the Administration invited Tribal leaders to two national meetings—one marking the first anniversary of President Clinton's historic April 1994 meeting with Tribes, the other focusing on economic development.

**Table 5-1. GOVERNMENT-WIDE NATIVE AMERICAN PROGRAM FUNDING**

(Budget authority, in millions of dollars)

	1993 Actual	1995 Actual	1996 Estimate <sup>1</sup>	1997 Proposed	Change: 1996 to 1997	Change: 1993 to 1997
BIA .....	1,647	1,733	1,646	1,782	+136	+135
IHS <sup>2</sup> .....	2,022	2,173	2,214	2,400	+186	+378
Subtotal, BIA/IHS .....	3,669	3,906	3,860	4,182	+322	+513
All other .....	1,828	1,992	1,865	2,098	+233	+270
Total .....	5,497	5,898	5,726	6,280	+554	+783

<sup>1</sup> Includes Administration's proposed adjustments to 1996 continuing resolution levels.

<sup>2</sup> IHS program level includes both budget authority and Medicaid, Medicare, and private insurance collections.